## SOURCE AND APPLICATION OF FUNDS

**For the Six Months Ended June 30**

| (Unaudited) | 1972 | 1971 |
|---|---|---|
| Funds were provided from: | | |
| Operations | | |
| Earnings before extraordinary items | $102,000 | $123,000 |
| Add charges against operations not requiring an outlay of funds during to period: | | |
| Depreciation and amortization | 189,000 | 172,000 |
| Deferred income tax | | (6,000) |
| Share of losses of 50%-owned companies | 72,000 | |
| Other | | 46,000 |
| | 363,000 | 335,000 |
| Deduct credits to operations not resulting in a receipt of funds during the period: | | |
| Share of profits of 50%-owned Companies | | (4,000) |
| Funds from operations | 363,000 | 331,000 |
| Extraordinary income tax recovery | 22,000 | |
| Increase in non-current portion of long-term debt | 120,000 | 11,000 |
| Repayment of advances to affiliated companies | | 288,000 |
| Proceeds on sale of investment | | 210,000 |
| | 505,000 | 840,000 |
| Funds were applied to: | | |
| Purchase of fixed assets | 116,000 | 129,000 |
| Payment of dividends | 149,000 | 136,000 |
| Increase in non-current portion of amount due on conditional sales contracts | 23,000 | |
| Purchase of investments | 3,000 | 496,000 |
| Decrease in minority interest | 23,000 | 55,000 |
| Other | 17,000 | 25,000 |
| Increase (decrease) in working capital during period | $174,000 | $ (1,000) |



# INTERIM REPORT 1972

for the six months ended June 30

**MINDUSTRIAL**
CORPORATION LIMITED

## OPERATING RESULTS
### For the Six Months Ended June 30
(Unaudited)

| | 1972 | 1971 (note 1) |
|---|---|---|
| Sales | $9,196,000 | $6,876,000 |
| Income before undernoted items | $ 403,000 | $ 261,000 |
| Income Taxes | 200,000 | 130,000 |
| | 203,000 | 131,000 |
| Minority interest | 29,000 | 12,000 |
| Operating earnings of consolidated companies | 174,000 | 119,000 |
| Share of earnings (losses) of 50%-owned companies (see note 1) | (72,000) | 4,000 |
| Earnings before extraordinary items | 102,000 | 123,000 |
| Extraordinary Items: | | |
| Income tax recovery as a result of carry-forward of prior years' losses. | 22,000 | – |
| Gain on sale of investments | – | 47,000 |
| Earnings for the period | $ 124,000 | $ 170,000 |
| Earnings per share: | | |
| before extraordinary items | 15¢ | 18¢ |
| including extraordinary items | 18¢ | 25¢ |
| Fully-diluted earnings per share: | | |
| before extraordinary items | 14¢ | 17¢ |
| including extraordinary items | 17¢ | 24¢ |

**Note 1:**
1971 has been restated to reflect equity method of accounting for 50%-owned companies (see Directors' Letter to Shareholders, paragraph 2)

TO THE SHAREHOLDERS:

Consolidated sales in the first six months rose by 33% over those attained in the same period last year. The operating earnings of consolidated subsidiaries in the period increased by 45% over the results obtained for the first half of 1971. After reflecting our share of the losses of 50%-owned affiliates, earnings per share before extraordinary items amounted to 15¢ per share, compared to 18¢ per share (as re-stated) for the first six months of 1971.

The results of the 50%-owned companies as recorded for the first half of each year cannot be meaningfully compared. The 1971 figures have been re-stated to reflect our share of Blacktop's earnings for the months of May and June only, i.e. following our acquisition of an increased share of the equity of that company. The 1972 figures, on the other hand, reflect the operations of Blacktop for the entire first six-months' period and include the results of the early months of the year when this construction company historically records seasonal losses. Blacktop's results for the six months of 1972 are approximately the same as those achieved for the corresponding period of 1971. In the last six months of 1971, the company recovered its first half losses and enjoyed a profitable year. It is expected that this pattern will be repeated in 1972.

As you have been advised, your company, in late June, agreed to acquire all of the shares of McStee Investments Limited. That company, in turn, owns Templeton Sur-Lok Limited of Toronto and Dura Undercushions (1969) Limited in Montreal. This transaction was completed in early August with an exchange of 107,500 common shares of Mindustrial for 100% of the common stock of McStee. The operating results of the McStee group will be reflected in subsequent reports from the date of its acquisition.

The combined results of the consolidated subsidiaries for the full year are expected to show an improvement over the earnings of those companies in 1971. However, because of expenses not anticipated earlier, profits from these companies will not attain the original forecast. This, together with the issuance of additional shares and the inclusion of Blacktop's results for a full year in 1972, should produce earnings per share comparable with those attained in 1971 - not higher, as expected earlier.

On Behalf of the Board
R.W. EDEN
President

Toronto, Ontario
August 28, 1972